

## MEETING MINUTES CITY OF MILPITAS

**Minutes of:** Special Joint Meeting of Milpitas City  
Council and Redevelopment Agency  
**Date:** Tuesday, May 12, 2009  
**Time:** 6:00 PM  
**Location:** Council Chambers, Milpitas City Hall,  
455 East Calaveras Blvd.

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### ROLL CALL

Mayor Livengood called the meeting to order at 6:00 PM.

**PRESENT:** Mayor Livengood, Vice Mayor McHugh, Councilmembers Giordano, Gomez and Polanski

**ABSENT:** Councilmembers Gomez and Councilmembers Giordano were not present at roll call. Councilmember Gomez arrived at 6:03 PM and Council member Giordano arrived at 6:04 PM.

### CLOSED SESSION

Council went into Closed Session to discuss collective bargaining issues regarding six employee labor groups and unrepresented employees.

### ANNOUNCEMENT

There was no announcement out of Closed Session.

### OPEN SESSION

City Council returned to the dais and reconvened in Open Session at 6:33 PM.

### PLEDGE OF ALLEGIANCE

Mayor Livengood led all present in the Pledge of Allegiance to the flag.

### PUBLIC FORUM

None

### ANNOUNCEMENT OF CONFLICT OF INTEREST

None

### APPROVAL OF AGENDA

Motion: to approve the meeting agenda, as submitted

City Attorney Ogaz had previously requested that City Council make any conflict of interest announcements.

Motion/Second: Vice Mayor McHugh/Councilmember Polanski

Motion carried by a vote of:      AYES: 4  
   NOES: 0  
   ABSENT: 1 (Gomez)

Mr. Gomez was away from dais at this vote and returned at 6:35 PM.

### PUBLIC HEARING

#### **Proposed Fiscal Year 2009-2010 Financial Plan and Budget**

##### 1. City Manager and Finance Director Overview

City Manager Tom Williams discussed the current economic environment and declining revenues of the City. The City had experienced a shortfall in revenue, due in part to uncontrollable financial factors in the economy.

He reported that great progress had been made in the past Fiscal Year with significant accomplishments in that time. The Use Tax program outreach to yield new revenues, the opening of the new \$39 million library, the

recently broken ground on the new Senior Center, the anticipation of auto dealer expansion, and more services for the citizens were achieved during FY 2008-09.

However, there was an \$8.7 million anticipated shortfall in the coming fiscal year expected. He explained efforts made to reach out to employee union groups with his request for employees to contribute 2.5% more to PERS, however, the groups did not approve that proposal. There was a need to balance the City's budget, and to re-size the organization to do that. Mr. Williams summed up the various strategies to close the initial budget gap of \$8.7 million, which included staff reduction of 21 full time permanent positions and 9 temporary employees. He strove to balance the budget without spending reserve funds, while not resorting to cuts in programs or services. The City had maintained its high AA credit rating, and recently received word it would go up to AA+ rating.

Other necessary actions related to budget approval included: a change by ordinance for Building and Safety to formally be approved as a Department (from Division); approve two position reclassifications (in the Parks and Recreation Department); and approval of staff recommended changes to Budget and Fiscal policies.

For the coming Fiscal Year 2009-10, the city's total budget for all funds was proposed at \$147,981,691, with a General Fund budget of \$69,940,669. Other funds consisted of the Capital Improvement Program, Redevelopment Agency, and Water and Sewer Utility enterprises.

The City Manager then introduced Finance Director Emma Karlen.

#### Budget Presentation by the City Finance Director

Finance Director Emma Karlen displayed a chart of budget challenges over the last ten Fiscal Years, with side by side revenues v. expenditures. A structural deficit situation existed over the past decade. The General Fund had not recovered back to its 2001 level, and was not expected to do so. She also demonstrated that Sales Tax receipts by fiscal year were lower than 2001 in each year following.

Moreover, 83% of the General Fund budget was employee costs for personnel including benefits. Ms. Karlen discussed employer-paid PERS contribution costs and its expected large increase in the contribution rate for cities in FY 2011-12. She further described increases in costs for medical, dental and other insurance, as well as salary increases due per negotiated contracts and for other reasons.

Overall, next year's revenue was projected at a 3.4% decrease in compared to FY 2008-09. The Finance Director gave a summary of strategies to balance the FY 2009-2010 budget, and included a 4.0% decrease in the overall budget for all funds. Capital outlay request was for \$1.15 million primarily for replacement equipment for Police and Fire vehicles with some replacement of technology equipment.

Ms. Karlen displayed a five-year forecast, with and without staff reductions. In both cases, deficits were expected.

## 2. Operating Departments/Divisions Presentations

Next, the senior management staff presented extremely brief information on their department or division, indicating each's total budget requested, along with savings anticipated with staff reductions, for FY 2009-10.

City Manager Tom Williams presented City Council and City Manager's office, including Economic Development, budgets. City Clerk Mary Lavelle presented the City Clerk's division budget. Chief Building Official Keyvan Irannejad presented the Building and Safety office's budget. Information Services Director Bill Marion presented his budget. Human Resources Director Carmen Valdez presented the H.R. budget. Finance Director Emma Karlen presented the Finance budget. City Engineer/Public Works Director Greg Armendariz presented both of his departments' budgets. Planning and Neighborhood Services Director James Lindsay presented the budget for Planning, zoning and code enforcement. Parks and Recreation Director Bonnie Greiner presented her overall department budget. Police Chief Dennis Graham gave a summary of police department staffing and budget. Fire Chief Ruben Grijalva discussed the Fire Department budget.

Councilmembers Gomez and Giordano left the dais at 7:31 PM, and returned a short while after that.

Next City Attorney Mike Ogaz presented his unit's budget. He proposed no staff reductions in his City Hall unit. However, he proposed a decrease in the hiring of outside counsel, and thus a budget savings.

## 3. Budget Guidelines and Fiscal Policies proposed changes

Finance Director Emma Karlen summarized six changes staff recommended in the areas of budget planning and specific language in the fiscal policy. Vice Mayor McHugh asked her to explicitly state that changes were reviewed by the Finance Subcommittee and that those must be approved by the whole City Council.

Councilmember Polanski was uncomfortable with the language suggested for the Finance Subcommittee (item 2a in Guidelines document). She did not want taken away her role of reviewing annually the city's budget, and viewed it as a major responsibility. Mayor Livengood suggested to simply add the word "and" at 2a on the policy statement, meaning the budget would be reviewed by City Council and Finance Subcommittee.

Vice Mayor McHugh inquired as to the amount set aside for retiree medical costs. Ms. Karlen responded that the liability in total was \$36 million estimated two years ago, and thus the City began to set aside funds for that purpose in a special PERS fund. A new study would be done next year (per state GASB 45).

#### 4. Review of Redevelopment Agency Budget and Financing

Finance Director Karlen next discussed the Redevelopment Agency budget. \$37.72 million was the overall total annual budget for the Agency, with a \$580,000 increase in its fund balance. She detailed six segments of appropriations versus \$38.3 million in revenue.

#### 5. Capital Improvement Program budget presentation

City Engineer/Public Works Director Greg Armendariz reviewed the CIP for Fiscal Years 2009-2014. It had been reviewed by two commissions (Planning and PRCRC) and the Council's Finance Subcommittee.

He displayed a Grand Summary for the six areas of the CIP, over the five years of the CIP, with a grand total of \$90 million. He summarized a few of the major infrastructure projects planned in that time, including 25 miles of piping for the backbone of the water system for retrofit. He noted Sanitary Sewage System retrofits that were also planned.

Vice Mayor McHugh inquired about unidentified funding sources. Mr. Armendariz responded that those included two elements: it was unknown if utility rates were going to be increased or not at the time the CIP was prepared, and pursuit of outside funding such as grants.

Councilmember Polanski asked when the Parks Master Plan would be ready and staff replied September.

City Manager Williams reported that this was the end of the staff presentation. He provided seven recommendations for Council action, per the written agenda.

Mayor Livengood specifically noted the desired change that Council indicated for language in the guidelines.

Next, Mayor Livengood opened the public hearing at 8:12 PM.

#### Speakers:

**Leslie Stobbe**, City employee and President of Mid-Management and Confidential employee group, reminded Council that the numbers displayed for layoffs were faces not just numbers. She said employees were available to contribute to the budget deficit situation, and management could lead by example. Employees could provide a percentage contribution to PERS, could contribute less to employee medical costs. The loss of 21 employees could only lower service delivery to citizens and businesses.

**Nancy Mendizabal**, City employee, resident, and President of the ProTech employee group, described the process of being notified about the proposal for the 2.5% contribution toward PERS. The proposed layoffs would hit that group the most. The City was already 25% understaffed, functioning at a lower staffing level than in the past. ProTech employees performed many tasks in the City, as she identified. The union would be happy to work with the City and sought to not have anyone laid off. She recommended use of reserve funds to close the budget gap.

Mayor Livengood thanked both speakers.

#### COUNCIL ACTIONS

(1) Motion: move to close the Public Hearing

Motion/Second: Councilmember Gomez/Councilmember Giordano

Motion carried unanimously by a vote of:

AYES: 5  
NOES: 0

Mayor Livengood commented this was a different type of budget compared to prior years. No longer could the City sustain the number of full time employees on staff. He supported reducing positions as recommended by the City Manager. Reserves were not the way to go in order to balance the budget. He did not think other options were viable. He asked staff to schedule a June meeting for another look at the City's budget status, based on what happened at the state, since it would likely take more money from the City (following the May 19 election). It was the next necessary step to continue to provide a high level of service to the community.

Vice Mayor McHugh noted that actions tonight were only conceptual approval on agenda items 2 – 7. It was not a final action. He was proud of the action that staff recommended tonight. He felt there was one month to come up with something else. Also, he requested a presentation on agenda items No. 6 and 7 before those were voted upon.

Councilmember Polanski repeated, as the City Manager said at the beginning of the meeting, every day the news got worse on the economy. She knew about layoffs happening where she worked, so personally, it was stressful. It had been the worst she'd ever seen it, and always hoped in the past the economy was getting better.

Councilmember Gomez reported this was the eighth year dealing with this problem, of revenues less than expenditures. The City had been using one time money sources to deal with the deficit problem each year, and pushed it off to the next cycle. Now, it was an \$8 million problem. He supported the control of expenditures by supporting the staff recommendation this evening.

Councilmember Giordano stated that employee groups had done an incredible job in the last few years, and were doing a terrific job right now. She asked the City Manager to keep the door open in dialogue with employee groups. She suggested that maybe the City Council could change the timeframe by which laid off employees could return to the City workforce. She planned to vote to support the conceptual budget.

Mayor Livengood said many times, he thought City employees were doing a great job and he had expressed that. He reminded all that in the 1970's, City Council could increase revenue by increasing taxes a little, at the local level. But, with their hands tied by state government, it had taken away the opportunity to do that.

Next, City Manager Tom Williams explained the change requested for the Recreation Services Assistant position reclassification at the Senior Center. The cost for this reclassification was \$5,000 and the county partly subsidized the position, serving seniors. Vice Mayor McHugh asked for a public presentation for the audience and public at home. He fully understood the rationale and explanation.

Mr. Armendariz explained the reclassification of the Senior Maintenance Supervisor. Chief Building Official Irannejad defined the request to amend the Municipal Code to reflect how the Building staff operated, as a stand alone department, no longer affiliated with non-existent former Community Economic Development department.

(2) Motion: to conceptually approve the FY 2009-10 City of Milpitas Budget and related actions on the agenda:

Conceptually approve the FY 2009-10 City Proposed Budget & Financial Plan  
Conceptually approve the FY 2009-10 Capital Improvement Program  
Conceptually approve the Preliminary Five-Year (2009-2014) Capital Improvement Program  
Conceptually approve the revised Budget Guidelines and Fiscal Policies  
Conceptually approve reclassification of two positions: Recreation Assistant IV + Senior Maint. Supervisor  
Conceptually approve reorganization of Building and Safety Division to Building and Safety Department

Motion/Second: Vice Mayor McHugh/ Councilmember Gomez

Motion carried unanimously by a vote of:

AYES: 5  
NOES: 0

(3) Motion: to hold an additional City Council meeting during the week of June 8 in order to review the state's budget and its specific consequences on the City of Milpitas

Motion/Second: Mayor Livengood/Vice Mayor McHugh

Motion carried by a vote of: AYES: 5  
NOES: 0

### **ADJOURNMENT**

Mayor Livengood adjourned the Joint City Council/Redevelopment Agency budget hearing meeting at 8:52 PM.

**The foregoing minutes were approved by the Milpitas City Council as submitted on June 2, 2009.**

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**Mary Lavelle**  
**City Clerk**